



January 21, 2009

The Honorable Pat Roberts  
United States Senate  
109 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Roberts:

Kansas is currently facing serious fiscal challenges. The most recent estimates forecast deficits of more than \$ 140 million in Fiscal Year 2009 and over \$1 billion in FY 2010. During these economically troubling times, a federal economic stimulus package would be of great assistance to Kansas. Additional funding for the Medicaid program would be instrumental in maintaining our current level of services to some of the most vulnerable Kansas citizens. KHPA has closely examined the House-passed version of the federal Medicaid stimulus proposal and concludes that Kansas would receive substantially more (about \$200 million) from an across-the-board expansion of the Medicaid match rate (FMAP).

**Projected Impact of the House Stimulus Package on Kansas Medicaid**

- Of the approximately \$87 billion national total, Kansas could receive nearly \$400 million in additional Federal aid over the 27-month stimulus period, which would begin retroactive back to October 2008 and extend to December 2010. *This is a substantial package that will provide significant fiscal relief for Kansas.*
- *However, Kansas would receive about \$200 million more over that period if the Medicaid stimulus consisted solely of an across-the-board increase in the match rate (FMAP), as it did in the last recession and as we argue it should below.* Kansas is one of the largest proportional losers from the House's formula, which ties Medicaid payment to increases in unemployment rates.
- Nearly half the federal funds in the House stimulus bill (about \$39 billion of the total) are used for an unemployment-based distribution to state Medicaid programs through a modified FMAP formula.
- Although state tax revenue projections have fallen dramatically, Kansas is currently tied for 12<sup>th</sup> **best** in the country in its unemployment rate, illustrating the weakness of the House unemployment rate approach.
- The attached table summarizes our analysis of the disparate impact of the House package across states.

**Broader arguments in favor of an across-the-board FMAP increase**

- Compared to a simple add-on to the existing FMAP, the House approach would redistribute new Medicaid funds towards states with larger increases in unemployment, and would also redistribute towards higher income states.

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- If the goal is to target stimulus funds towards states with more unemployed persons – a reasonable goal -- then that should be done directly, not through Medicaid. Unemployment-related health care assistance is a separate component of the bill.
- Using Medicaid to target unemployment aid dilutes the objective by relating stimulus payments to states with unusually large or small Medicaid programs, etc., when these variations may have nothing whatever to do with unemployment nor current economic conditions. *There is no reason to tie unemployment-related stimulus aid to overall Medicaid spending, two-thirds of which is spent on the aged and disabled, as the House stimulus package does.*
- The Medicaid stimulus formula inexplicably rewards high-income states with higher stimulus payments.
- Tying the bill's unemployment-related increase in funding to each states' *lowest* unemployment levels since January 2006 gives boom and bust states extra dollars, rather than focusing dollars on the direct impact of the more recent national downturn.
- The Medicaid component of the stimulus package should be focused on Medicaid needs, e.g., fiscal deficits related to the burden of Medicaid. States that rely on commodity and capital-gains taxation are being hit by this financial crisis just as income-tax states are getting hit by unemployment. This illustrates the fact that state taxing capacity is best approximated with state average income, not unemployment, and average income is already the sole basis for the Medicaid match rate.
- Adding to the FMAP helps states now, as they need it. Tinkering with the fifty-year-old FMAP formula dilutes the relationship to taxing capacity and fiscal need.
- Mixing unemployment into the FMAP formula sets a costly precedent that could very well disadvantage low-income and commodity states now and in future recessions.

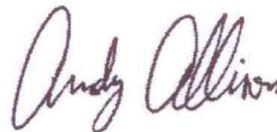
Whatever the reasoning, Kansas stands to lose as much as one-third of what it would receive from a uniform FMAP increase, which could amount to a loss of \$200 million or more. KHPA supports the historic precedent of a temporary across-the-board increase in the existing Medicaid matching rate. The additional federal funds for Medicaid will directly and quickly help stimulate the general economy and will treat states equitably.

If you need any additional information about the impact of the various economic stimulus packages on the Kansas Medicaid program I would be happy to discuss them more.

Sincerely,



Marcia Nielsen, PhD, MPH  
Executive Director



Andy Allison, PhD  
Medicaid Director and Deputy Director

cc: Attachment